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America Misses Another Asian Opportunity

BY BERNARD K. GORDON

The eight-country “Trans-Pacific Partnership” is now the main face of the Obama administration’s trade policy. It was personally endorsed by the president in November and followed up last month by the first detailed discussions in Melbourne. But a closer look at the actual deal shows how little there is to be excited about.

The TPP members include Australia, Brunei, Chile, New Zealand, Peru, Singapore, the United States and Vietnam. Of those, Singapore and Australia have long been important American trade partners. But the TPP’s total merchandise trade with the U.S. last year was \$110 billion—when last year all of America’s exports and imports combined totaled \$2.6 trillion. The TPP, in other words, accounted for 4.2% of America’s global trade. The Cato Institute’s Sallie James notes that none of the TPP partners is even in the top 10 of U.S. export markets.

Given those realities, the question has to be asked: Why is President Obama so energetically promoting the TPP? The answer is that from a U.S. government perspective, it’s the only game in town.

Start with the state of the Doha Round of global trade talks. After more than a year in office, it is now clear that Mr. Obama is not inclined to make major efforts—particularly on agricultural subsidies—to move those talks to closure. Any hope for change was lost when U.S. Trade Representative Ron Kirk, a man with no prior foreign-policy experience, mirrored Mr. Obama’s stress on labor and environmental standards, which many saw as code for protectionism. Then the president announced his new trade plan with its five-year goal of doubling U.S. exports. The message to America’s trade partners was clear: America’s new style would be barely disguised mercantilism and would leave little room for Doha. As India’s Commerce and Trade Minister Anand Sharma put it to me, “We are worried about the U.S.”

The second force driving the TPP is America’s intense awareness of China’s East Asian trade dominance. A few years ago, it was mainly academics who pointed to this trend, but today it is an accepted fact. China is the top trade partner for Japan, Singapore, Australia and South Korea. Seoul trades more with China than with the U.S. and Japan combined, and even New Zealand imports equally now from China and the U.S. Reflecting all this is China’s intensifying web of free-trade agreements throughout the region.

The third factor behind U.S. support for the TPP is America’s belated recognition of these new realities. A constant theme in Washington these days is that “America is back” in East Asia, and senior officials regularly insist they will now participate in

Bernard K. Gordon, Professor Emeritus at the University of New Hampshire, argues that President Obama’s proposed “Trans-Pacific Partnership is a poor substitute for a real free-trade policy. “ The Partnership is energetically promoted because, according to Gordon, “from a U.S. government perspective, it’s the only game in town.”



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every important Asian meeting. All repeat the warning against “drawing a line down the Pacific” first spoken by former Secretary of State James Baker more than two decades ago—when he saw that then Malaysian Prime Minister Mahathir Mohamad’s proposed “East Asian Community” aimed to exclude the U.S.

America’s engagement with the TPP is the most concrete evidence that the Obama administration has internalized Mr. Baker’s forceful and successful warning. But it raises the question of whether the TPP is the best vehicle to affirm the central point: that the economic and geostrategic interests of America’s 300 million people are and will remain rooted firmly on both sides of the Pacific. The answer is that as presently constituted, the TPP is too thin and uncertain a reed on which to ground such a fundamental national interest.

Geographic scope and functional mission explain why. Neither Japan nor South Korea, the weightiest of Asia’s actors with close ties to the U.S., are involved in the TPP, nor is Indonesia, the 10-member Association of Southeast Asian Nations’ key member. Rather, Indonesia’s “Comprehensive Partnership with the U.S.” is the real sea change for Jakarta. It was initiated by President Susilo Bambang Yudhoyono in 2008, and will be further formalized and intensified during Mr. Obama’s three-day visit to the country in June. But none of this pertains to the TPP, which—if it means anything at all—represents early steps toward a grand Free Trade Area in Asia. Indeed some see it as a way station toward the even grander goal of a “Free Trade Area of Asia and the Pacific.”

Yet as a result of American domestic politics, none of that is on the U.S. agenda. While the U.S. Chamber of Commerce seeks in the TPP a “comprehensive FTA,” using the “U.S.-Singapore FTA as a standard,” that’s hardly the congressional view. Well over 100 members recently affirmed their opposition to any new “Free Trade Areas.” The U.S.-South Korea FTA will likely be approved, but little else will be done in that format.

What will remain are TPP negotiations that aim, in the words of the Office of the U.S. Trade Representative, at “regional economic integration across the Asia-Pacific region.” Under present circumstances that’s an unrealizable goal, as are several the U.S. seeks with the present TPP. There will be demands for high-quality labor standards from partners such as Vietnam and Brunei, where such standards simply don’t exist, and calls for opening up financial and service-sector industries from such advanced partners as Australia and Chile. New Zealand, with a population well below New York, already poses dairy and lamb problems to the U.S. that Congress will continue to resist.

For a country that almost singlehandedly launched the General Agreement on Tariffs and Trade and then the World Trade Organization, America’s newfound support for a pitiable “Trans-Pacific Partnership” is quite a letdown. All the more so when, if the WTO’s Doha Round were completed, its “most favored nation” clause would render moot most of the preferential trade agreements that have cluttered the world trading scene during the past decade. And yet only the TPP will be pursued because that’s all the boss ordered.

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